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September 22, 2005

U.S. MAIL

Arizona Corporation Commission
Attn: Docket Control
1200 West Washington Street
Phoenix, Arizona 85007

RE: Docket No. W-04291A-04-0843 – The Aerie Conservancy
Decision No. 67881, Opinion and Order

To Whom It May Concern:

Pursuant to Decision No. 67881 of the Opinion and Order Docketed on June 1, 2005, please find attached a copy of the Arizona Department of Water Resources' Letter of Adequate Water Supply for service to The Aerie for your records, in compliance with this order.

We will be forwarding all remaining copies of documents as described in the ordering paragraphs of the decision as they become available. Please call me if you have any questions at 602-328-5223.

Very truly yours,

Jami L. Schulman
Vice President, Operations

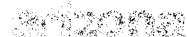
Enclosure

cc: Jeff Crockett, Esq. (w/enclosure)

AZ CORP COMMISSION
DOCUMENT CONTROL

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Anaheim, California 92808
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ARIZONA DEPARTMENT OF WATER RESOURCES

500 North Third Street, Phoenix, Arizona 85004

Telephone 602 417-2448

Fax 602 417-2425

July 6, 2005



Janet Napolitano
Governor

Herbert R. Guenther
Director

Mr. Roy Tanney
Arizona Department of Real Estate
2910 N. 44th Street
Phoenix, Arizona 85018

Water Adequacy Report #22-401588.0000

Subdivision Name: Aerie I and Aerie II

Owner: Red Rock Aerie, LLC

Number of lots: 74

County: Yavapai

Township 17 N Range 05 E Section 05

Water provided by: The Aerie Conservancy

Water Type: Groundwater

Current water depth: 920

Estimated 100-year depth: 0 - 954

Current decline rate: minimal

Basin: Verde Valley

Dear Mr. Tanney:

Pursuant to A.R.S. § 45-108, the Department of Water Resources has reviewed the available information pertaining to the water supply for the above-referenced subdivision. This letter constitutes the Department's report on the subdivisions water supply as required by A.R.S. § 45-108(A).

Adequacy of the 100-year water supply was reviewed by the Department with regard to physical, legal and continuous availability, and to determine if the water supply is of adequate quality. Information available to the Department indicates that the applicant has satisfied the adequate water supply requirements as set forth in A.A.C. R12-15-715 *et seq.* Therefore, the Department of Water Resources finds the water supply to be adequate to meet the subdivision's projected needs. Any change to the subdivision or its water supply plans may invalidate this decision.

This letter is being forwarded to your office as required by A.R.S. § 45-108. This law requires the developer to hold the recordation of the subdivision's plat until receipt of the Department's report on the subdivision's water supply. By copy of this report, the Yavapai County Recorder is being officially notified of the developer's compliance with the law. Because of the possibility that a future court proceeding could result in a legal determination that water withdrawn from wells in this area is surface water, the Department recommends that your office include the following statement in all promotional material and contracts for sale of lots in the subdivision:

"Pursuant to A.R.S. § 45-108 and A.A.C. R12-15-715 *et seq.*, the Department has determined that the water supply for the Aerie I and Aerie II subdivision is adequate, i.e. that the water supply is physically, continuously and legally available to satisfy the applicant's 100-year projected water demand, and that the water supply is of suitable water quality. However, the legal availability of the water withdrawn from wells in this area may be the subject of court action in the future as part of a determination of surface water rights. Whether future court action will have an effect on the legal availability of the water supply for the proposed subdivision cannot be determined at this time."

If you have any questions, please contact Abe Malek at (602) 417-2448.

Sincerely,

Frank Putman
Assistant Director

FP/AM/rd
700240

cc: Yavapai County Planning and Zoning
Yavapai County Recorder
Nathan Miller, Southwest Groundwater Consultants, Inc.
Alan R. Dulaney, ADWR

Celebrating 25 Years